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Proposed measures to improve the profitability of the commercial activities of the United Nations

Report of the Secretary-General*

Summary

This report is based on a review of commercial activities undertaken in response to General Assembly resolution 52/220 of 22 December 1997 and identifies a number of practical measures that can be taken by the Secretariat to boost sales and revenues of and attract more customers for existing commercial services at the United Nations. The measures outlined are to be noted by Member States. Measures requiring more detailed consideration are taken up in the forthcoming report of the Secretary-General in which a new visitors' experience is proposed.

* The delay in submission of the present report is due to required internal consultations and to coordination in the preparation of a comprehensive report on a new visitors' experience.

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I. Background

1. This constitutes one of two reports prepared in response to General Assembly resolution 52/220 of 22 December 1997, in which the Secretary-General was invited to propose measures to improve the profitability of the commercial activities of the United Nations, in particular the sale of publications at Geneva, to develop, where appropriate, new income-generating measures, and to submit a report thereon to the General Assembly at its fifty-third session. In his report to the fifty-third session, the Secretary-General outlined the measures being undertaken in Geneva concerning the sale of publications.[1]

2. The present report is largely based on an independent assessment conducted by a private consulting firm contracted by the Secretariat. It should also be reviewed in conjunction with the forthcoming report of the Secretary-General on a proposed new visitors' experience, which will be submitted to the current session of the General Assembly.

3. The review, which used the guidelines on cooperation between the United Nations and the business community promulgated in July 2000 as its framework, covered the work of the United Nations Postal Administration; the guided tours; the United Nations Bookshop/publications; the Gift Centre; catering services; and the news-stand.

4. While certain measures identified in the review pertain only to specific commercial activities, some findings are common to all and need to be addressed on a priority basis. The review determined that commercial activities should be managed separately from other core activities of the Secretariat. In particular, conditions need to be created for all commercial activities to be able to: review their revenue and expenditure figures independently of other items associated with the United Nations budget and in a more frequent, timely and regular manner; secure regular feedback from clients; mount limited marketing campaigns based on feedback received; and make better use of information systems and the Internet, both for expenditure and revenue management and for product marketing and e-commerce possibilities. The review also noted that the proposal on a new United Nations visitors' experience would, during implementation, result in the introduction of measures that would increase the number of visitors to the United Nations and raise current levels of attendance registered by the various commercial activities through a process of careful repositioning and reorientation.

5. As part of the general recommendations on commercial activities, the review found that, as current staff retire, there is a need for clarification of management structures and responsibilities and renewed attention to the possible recruitment of personnel with some commercial management experience for these specific positions. Furthermore, related support services, including procurement, financial information, technology and human resources, need to be fine-tuned, where pertinent, to the requirements of commercial activities. While actual commercial activities will continue to be competitively outsourced, it is clear that new core staff to be recruited in the Commercial Activities Service will need to have certain retail, marketing, strategy and management experience in order to drive the reform process forward.

II. Current state of commercial activities and recommendations for improvement

A. Overall management of commercial activities

6. The salient findings of the review revealed that, if the profitability of commercial activities at the United Nations is to be increased, the overall outlook and approach to the management of commercial activities at the United Nations needs to be changed. More specifically, the management of commercial activities should be distinct from the management of core programme activities of the Secretariat and the overall non-commercial nature of the Organization.

7. Planning for commercial activities is limited by the biennial budget document preparation and periodic General Assembly inquiries. In recognition of the separate and particular requirements of commercial activities, strategic planning more targeted to those specific needs needs to be introduced, taking into account market and product as well as revenue and expenditure information.

8. A strategic plan will be developed to clearly communicate the long-term vision and coordinate efforts across commercial activities. Such a process

will take into account the results of future customer surveys from Member States and market research.

9. At present, the commercial entities at the United Nations report to both the Department of Public Information and the Office of Central Support Services. The news-stand, catering, the Gift Centre and the United Nations Postal Administration report to the Office of Central Support Services, while the United Nations Bookshop/publications and guided tour operations report to the Department of Public Information. The introduction of new, adjusted management practices over a period of time will be undertaken jointly by both departments in a coherent and coordinated manner with a view to ensuring consistency and maximizing effectiveness and efficiency.

10. Marketing activities for each commercial area are extremely limited in financial as well as human resources and there is a need for planned promotional coordination throughout the commercial operations. This process would include market research and development, product pricing and market placement as well as order fulfilment and efficient product delivery mechanisms. There is, at present, no process to collect and integrate customer feedback for any of the commercial activities. The management of each commercial activity needs to carry out customer surveys, provide customer service training to staff and improve the services delivered (for example, by making each customer's experience a positive one).

11. The Secretariat intends to look into the economic and substantive viability of outsourcing market research and client feedback from Member States, with a view to conducting these activities on a regular and routine basis. The mix of products available for sale, the presentation of these products and the method of sales will all, to a certain degree, be redefined based on the information accessed through such surveys.

12. Insufficient use has been made of cross-promotion between commercial activities at the United Nations, and has probably reduced business. For instance, it is noted that tour guides make uneven use of opportunities to better inform visitors to the United Nations about other commercial activities at the conclusion of the tours. More systematic promotion of commercial activities by tour guides will be introduced, as will simple upgrading of the present signage to make it more user-friendly and easy to follow.

13. In the spirit of the current decentralization of web-based activities, during the next biennium the Commercial Activities Service will look into the gradual development of web-based sales of postal stamps, books, international arts and gifts and, possibly, the sale of tickets to the United Nations visitors' experience, with a view not only to boosting sales, but also to better promoting the image of the United Nations.

14. There is a need for revenue and other financial information to be more readily and frequently available to those involved in the management of commercial activities. In some instances, data such as sales and expense information, which are required to manage the services, are not available within a reasonable amount of time. Without timely financial information, managers are not able to make critical business decisions that could impact their financial performance. Relatively simple management changes will be introduced to ensure that such information becomes available as required, thereby laying the foundation for better strategic management and planning.

15. These changes will be accompanied by a continued effort to address the issue of creating a service-oriented culture and raising the overall level of professionalism within those units directly involved in managing commercial services while preserving the non-commercial nature of the United Nations.

B. Findings and recommendations pertaining to individual commercial activities

United Nations Postal Administration

16. Net income at the United Nations Postal Administration, which is projected at approximately $11,200,000 during the biennium 2000-2001, is derived from the Postal Administration sales counter, located in the Public Concourse of the General Assembly Building, and from the Customer Service and Order Fulfilment Unit. The net profit that derives to the United Nations from this operation is estimated at approximately $2,600,000.

17. The profitability of this operation may be substantially improved by reorienting its focus, renegotiating its relationship agreement with the host country's postal administration and boosting its marketing activities.

18. Stamp collecting, potentially one of the principal sources of profitability in this operation, is, in the long term, hampered by a global decline in the growth of stamp collecting as the average age of stamp collectors continues to rise. This is further affected by insufficient marketing of new issues by the Postal Administration and the fact that current margins for dealers are insufficient to warrant their devotion of significant resources to the promotion of United Nations stamps.

19. Relatively simple improvements will need to be made to the layout of the Postal Administration sales counter to make it more customer-friendly (for example, the signage in this area requires improvement). To improve sales, it is recommended that narrative about Postal Administration stamps be better communicated to the customers and that product information and portfolios of offerings, such as prestige booklets and souvenir cards, be prominently advertised. At present, if a visitor has a question about a stamp, the sales person must refer them back to the kiosk to see the different offerings, often leading to a loss in sales.

20. In order for the mail operations of the Postal Administration to become profitable, the United Nations may consider renegotiating its agreement with the host country's postal administration since, under the present arrangement, the United Nations reimburses the host country's postal administration for the full face value of all mail sent. This results in a net loss for each stamp mailed from United Nations Headquarters. The new agreement will seek to allow the Organization to recover the direct and indirect costs associated with producing and selling stamps.

21. Finally, strategic planning in the postal administration would be considerably improved by raising the quality of available data upon which such planning can be based. Current cost data does not provide sufficient details to make decisions regarding dealer discounts, promotional investments, stamp design and profitability of other Postal Administration products. Through introduction of strategic planning, the Postal Administration will be able to purposefully steer its course and monitor its success. This would enable the systematic development of new philatelic customers, which would lead to a greater source of revenue for the Postal Administrative and the Member States, as well as a heightened awareness of the United Nations and its mission.

Guided tours

22. The proposal for the new United Nations visitors' experience outlines a number of concrete steps that would result in elimination of the current losses of the guided tour operation and bring about its return to profitability. Steps proposed include an increase in the cap on the number of visitors permitted per tour. This would to be achieved, under the capital master plan, by introducing a series of improvements to the physical facilities, aimed at reducing the security risks involved in handling an increase in volume with the limited number of tour guides available. A restructuring of the fees for access to an upgraded series of exhibits and the guided tour itself would significantly improve returns.

23. The guided tours present an excellent opportunity for publicizing the other commercial services available to visitors. As the guided tour ends in the vicinity of all other United Nations commercial activities, it is proposed that the tour guides be more consistent in directing the visitors to the Gift Centre, the Postal Administration sales counter, the United Nations Bookstore and the coffee shop. This is a prime opportunity for the tour guides to communicate with the visitors regarding all the services available at the United Nations.

24. The Guided Tours Unit would also benefit from a systematic survey of visitors' opinions in order to obtain feedback on the guided tour as well as the visitors' experience as a whole. Such information would serve as the basis for strategic planning and upgrading of the guided tour itself, as well as other commercial activities. During the biennium 2000-2001, revenue is estimated at $5,550,000, with a net negative revenue of $1,231,000.

United Nations Bookshop/publications

25. The United Nations Bookshop is located in the Public Concourse under the supervision of the Department of Public Information. It is the premier source for books on global issues published by the United Nations and the specialized agencies. The United Nations is also engaged in the direct sales of its

publications. Of total direct sales, about 70 per cent are to libraries, while, of the remaining sales, approximately 5 per cent is to businesses, non-governmental organizations, bookshops and Governments, respectively. Sales in North America and Europe combined represent 88 per cent of total sales.

26. Revenue to the United Nations is projected at $13,200,000 for the biennium 2000-2001, with net profits estimated at $1,800,000. Net revenues from the Bookshop have declined each of the past four years, from a record high in 1995 during the fiftieth anniversary of the United Nations.

27. It is recommended that the United Nations consider using a contractor with book and/or retail experience. The United Nations Bookshop will be able to capitalize on the marketing and sales experience from such a contractor, a strength not otherwise available in-house. Increased marketing, sales and customer service awareness in the Bookshop will ultimately lead to enhanced customer experience and amplified awareness of United Nations publications, resulting in greater sales and direct effects on net income to Member States.

28. The Bookshop and United Nations publications are not sufficiently prepared for e-commerce. Customers can currently print a purchase form from the web site, fill it out and fax it in to the Bookshop. Due to advancements in technology, a customer's ability to purchase from a web site is no longer a privilege, but an expectation. Direct purchases on the web would undoubtedly increase sales and considerably broaden the range of potential clients.

Gift Centre

29. The United Nations Gift Centre is located in the Public Concourse of the General Assembly Building and provides visitors, members of delegations and staff in New York with United Nations mementos, souvenirs, handicrafts, gifts and items from around the world, maintaining a balance of the different arts and crafts representing the cultures of all Member States of the Organization.

30. The Gift Centre operation is currently under contract management to the Hudson News Company. Profits deriving to the United Nations from the Gift Centre are projected at $1,825,000 for the biennium 2000-2001.

31. The current location of the Gift Centre undoubtedly reduces traffic and sales. Repositioning the Centre in conjunction with the introduction of the new visitors' experience would contribute to greater public attendance and increased sales. Additional time needs to be provided to tour groups for shopping at the Gift Centre. In conjunction with improved publicity for the Gift Centre, which could best be provided by the tour guides as part of the guided tour itself, its relocation will result in increased business.

Catering

32. The Commercial Activities Service is responsible for the oversight of all food service operations at United Nations Headquarters. All café, cafeteria and dining operations are contracted to Restaurant Associates. Under this contractual arrangement, entered into in 1997, the United Nations receives 8 per cent of gross revenues subject to a minimum of $500,000 per year. For the fiscal years 1998 and 1999, the net revenue for catering did not generate a percentage that would supersede the minimum financial obligation, hence, the gross contribution made to the United Nations by Restaurant Associates was $500,000 in each of these years. This is offset by direct charges against the operations.

33. The imminent expiry of the contract with Restaurant Associates presents an opportunity for better clarification of the respective roles of the United Nations and the contractor and the basis upon which the United Nations commission on catering receipts is calculated, as well as for consideration of the possible allocation of different parts of the catering service to different contractors. An opportunity exists, once the current contract expires, to outsource the coffee shop to another provider with brand-name recognition, with a view to making the coffee shop more attractive to visitors and ensuring that the service benefits from better marketing, presentation and sensitivity to the demands of clients. In addition, placing a vendor with brand-name recognition in the café, under appropriate contractual arrangements, will increase sales and ultimately increase revenue generated for the United Nations and the Member States.

III. Action requested

34. Improving the profitability of commercial activities and services provided to delegates, United

Nations personnel and the public must be viewed as an important part of ongoing reforms at the United Nations and will need to be implemented and closely monitored over an extended period of time. The creation of conditions that would enable such targeted monitoring and strategic management are an essential enabling factor in this overall effort. Most of the steps proposed constitute routine but important changes in management practices that can be readily introduced by the Secretariat.

35. The General Assembly is therefore requested to take note of the measures outlined in the present report and to encourage the Secretariat to proceed with their implementation in a manner that would not in any way compromise the international and non-commercial nature of the Organization.

Notes

[1] A/53/794.